



8011-01p  
SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-81249; File No. SR-DTC-2017-010)

July 28, 2017

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Modify the DTC Operational Arrangements Necessary for Securities to Become and Remain Eligible for DTC Services in Order to Clarify and Update Provisions Relating to the Processing of Eligibility Requests and Servicing of Assets on Deposit at DTC

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on July 17, 2017, The Depository Trust Company (“DTC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II and III below, which Items have been prepared by the clearing agency. DTC filed the proposed rule change pursuant to Section 19(b)(3)(A)<sup>3</sup> of the Act and subparagraphs (f)(2) and (f)(4) of Rule 19b-4<sup>4</sup> thereunder. The proposed rule change was effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Clearing Agency’s Statement of the Terms of Substance of the Proposed Rule Change

The proposed rule change consists of modifications to the DTC Operational Arrangements (Necessary for Securities to Become and Remain Eligible for DTC

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>4</sup> 17 CFR 240.19b-4 (f)(2) and (f)(4).

Services) (“OA”)<sup>5</sup> proposed in order to clarify and update provisions relating to the processing of eligibility requests and servicing of securities on Deposit at DTC, as more fully described below.<sup>6</sup>

II. Clearing Agency’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the clearing agency included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The clearing agency has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

(A) Clearing Agency’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The OA was first published by DTC in June 1987. It was then updated in June 1988, February 1992, December 1994, January 1998, May, 2002, January 2009, December 2011 and most recently in 2016.<sup>7</sup> The OA is designed to maximize the

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<sup>5</sup> Available at <http://www.dtcc.com/~media/Files/Downloads/legal/issue-eligibility/eligibility/operational-arrangements.pdf>.

<sup>6</sup> Each term not otherwise defined herein has its respective meaning as set forth in the Rules, By-Laws and Organization Certificate of DTC (the “Rules”), available at <http://www.dtcc.com/legal/rules-and-procedures.aspx> and the OA, supra note 5.

<sup>7</sup> See Securities Exchange Act Release Nos. 24818 (August 19, 1987), 52 FR 31833 (August 24, 1987) (SR-DTC-87-10); 25948 (July 27, 1988), 53 FR 29294 (August 3, 1988) (SR-DTC-88-13); 30625 (April 30, 1992), 57 FR 18534 (April 30, 1992) (SR-DTC-92-06); 35649 (April 26, 1995), 60 FR 21576 (May 2, 1995) (SR-DTC-94-19); 39894 (April 21, 1998), 63 FR 23310 (April 28, 1998) (SR-DTC-97-23); 45994 (May 29, 2002), 68 FR 35037 (June 11, 2003) (SR-DTC-

number of issues of securities that may be made eligible for DTC services, providing for the orderly processing of such securities and timely payments to Participants. DTC's experience demonstrates that when Participants, Issuers, Underwriters, Agents (as such terms are defined in the Rules<sup>8</sup> or in the OA<sup>9</sup>), and their counsel are aware of DTC's requirements, those requirements can be readily met in most instances. The purpose of this rule change is to revise the text of the OA in order to update and clarify DTC's processes in this regard. Additionally, some ministerial changes, changes to methods of notification, and clarifying language have been introduced, to provide a more concise description of OA procedures. In this regard, the proposed rule change would revise the text of the OA as set forth in the respective sections as described below:

<b>OA Section</b>	<b>Revision</b>
Important Legal Information	The proposed change would (i) update the most recent copyright date of the OA from 2016 to 2017 and (ii) make grammatical corrections and revise text for readability.
Section I.A.2. (Securities Eligible for DTC's Services)	The proposed rule change would (i) update a reference to a link for DTC securities eligibility documentation (ii) revise the defined term for Money Market Instruments from "MMIs" to

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2002-02); 59199 (January 6, 2009), 74 FR 1266 (January 12, 2009) (SR-DTC-2008-14); 65901 (December 6, 2011), 76 FR 77281 (December 12, 2011) (SR-DTC-2011-10); 77043 (February 3, 2016), 81 FR 6913 (February 9, 2016) (SR-DTC-2016-002); and 79122 (October 19, 2016), 81 FR 73450 (October 25, 2016) (SR-DTC-2016-010). A proposed change to amend the OA that was filed with the Commission on July 7, 2017, SR-DTC-2017-011 ("ATOP Rule Filing"), is pending implementation. See Securities Exchange Act Release No. 81096 (July 7, 2017), 82 FR 32406 (July 13, 2017) (SR-DTC-2017-011). The ATOP Rule Filing and its pending implementation date are discussed more fully below. See infra note 31.

<sup>8</sup> See supra note 6.

<sup>9</sup> See supra note 5.

	“MMI” for consistency with the Rules and the DTC Settlement Service Guide <sup>10</sup> and (iii) revise a cross-reference to a footnote regarding the DTC Custody Service to refer to the section number the footnote appears in, rather than just the page number the footnote appears on.
Section I.A.4. (Standard Time Frames for Providing Underwriting Information to DTC)	The proposed rule change would revise text (i) for consistency with language in DTC’s Fee Schedule, <sup>11</sup> to describe charges made to underwriters that fail to meet the requirements of this subsection as “surcharges” rather than “fines,” (ii) to move a reference to related standard time frames to earlier in the section for reference purposes and (iii) remove a link to the Underwriting Service Guide in respect to a reference to DTC’s eligibility requirements, since the OA is the primary source for these requirements.
Section I.A.6. (Signature)	Change word usage in a sentence relating to methods of transmission, recording or storage of signatures, by replacing “xeroxing” with “photocopying.”
Section I.B.1.b. (Required Riders to LOR)	The proposed rule change would (i) revise text for readability, (ii) update a reference to a link for DTC securities eligibility documentation that includes various DTC forms Letters of Representation (“LOR”) and riders to the LOR, (iii) delete references to Exhibit C and Exhibit D of the OA that contain forms of the Blanket Letter of Representations (“BLOR”) and Issuer Letter of Representations (“ILOR”), respectively, which exhibits would be removed from the OA, as discussed below, and (iv) replace the deleted references to Exhibits C and D with links to the BLOR and ILOR. The proposed rule change would also add text noting that sample offering document language is available in the form of BLOR and ILOR.
Section I.B.1.d. (LOR)	The proposed rule change would remove a

<sup>10</sup> Available at <http://www.dtcc.com/~media/Files/Downloads/legal/service-guides/Settlement.pdf>.

<sup>11</sup> Available at <http://www.dtcc.com/~media/Files/Downloads/legal/fee-guides/dtcfeeguide.pdf>.

Requirements for Certificated Securities)	provision stating that DTC may be require an Agent to sign a “Tender LOR” for certificated issues with put features. The Tender LOR is used by DTC to obtain the Agent’s agreement for DTC to use its procedures applicable to the processing of tenders for Securities with put features. However, DTC already maintains authority to use its procedures in this regard pursuant to the OA as set forth in Section V.B.2. (Put Features with Special Processing Requirements). Therefore, it is unnecessary for DTC to separately obtain a signed Tender LOR from Agents in this regard.
Section I.B.4.a. (Ownership Thresholds)	The proposed rule change would (i) revise the text to update links to documentation referenced by this section and (ii) revise the defined term for Segregation Account 100 service from “SEG 100” to “Seg 100” for consistency with other references to this service in the OA.
Section I.B.4.b. (Revisions to Eligible Securities)	The proposed rule change would update a cross-reference relating to information on altering the terms of an offer from referencing Section VI(A)(2)(d) to instead reference Section VI(C)(5)(c).
Section I.B.5. (Instruction Letters Regarding the Expiration of a Restrictive Period)	The proposed rule change would (i) correct the text of this section to add “the Securities” after “Issuer of” and (ii) add links to existing forms and requirements for Issuers and Agents to request the processing of exchanges relating to CUSIPs for securities that were originally restricted pursuant to Rule 144A and/or Regulation S and which have become unrestricted.
Section I.C.1. (Retail Certificates of Deposit)	The proposed rule change would make a grammatical change to the text of this section to improve readability.
Section I.C.2. (Unit Securities)	The proposed rule change would add clarifying language in this section relating to additional eligibility requirements for unit securities <sup>12</sup> for improved readability, including with respect to

<sup>12</sup> Unit securities or “Units” are securities comprised of two or more separate components. A Unit may be comprised of debt Securities, equity Securities and/or warrants. Units may separate into their component parts on or after the closing date of their issuance. See Section I.C.2. of the OA, supra note 5.

	(i) CUSIP requirements for immediately separable Units versus Units separable after their initial closing date <sup>13</sup> and (ii) requirements as stated in this section relating to Units for which are separable into their components on a voluntary basis versus on a mandatory basis.
Section I.C.3. (New Issue Eligibility Requirements for Municipal Securities)	The proposed rule change would revise this section to update the link to a list of NIIDS Data Elements and related procedures.
Section I.C.5. (Non-U.S. Currency Denominated Securities)	The proposed rule change would revise this section to update a cross-reference to Section IV.B.3. by changing the referenced title of that section from “Securities without an Option for U.S. Dollar Payment” to “Securities Denominated in a Non-U.S. Currency without an Option for U.S. Dollar Payment.”
Section I.D. (Compliance with Regulations)	The proposed rule change would make a technical correction to remove unnecessary numbering within the section.
Section I.E. (DTC Fee Schedule)	The proposed rule change would add this subsection to include the link to the DTC Fee Schedule <sup>14</sup> for transparency with respect to current exception processing fees, late fees and surcharges referred to in the OA.
Section II.A.1 (CUSIP Number Assignment)	The proposed rule change would make changes to the text of this section for clarity and improved readability with respect to an example provided within.
Section II.B.1. (Possession and Inspection)	The proposed rule change would (i) add text to this section <sup>15</sup> to insert a cross-reference to a related process concerning confirmation of FAST balances by an Agent and (ii) update the address for delivery of security certificates to the DTC Securities Processing Department.
Section II.B.2.a. (FAST)	The proposed rule change would add a link as a

<sup>13</sup> For immediately separable Units, DTC requires CUSIPs only for each the components of the Unit, but not for the Unit itself. For Units that are not immediately separable, DTC requires a CUSIP for the Unit itself and each of the individual components of the Unit. See Section I.C.2. of the OA, supra note 5.

<sup>14</sup> See supra note 11.

<sup>15</sup> This section describes conditions that must be met for DTC to support distribution of securities issued on a closing date. See Section II.B.1 of the OA, supra note 5.

	reference for additional information for Agents interested in becoming FAST Agents.
Section II.B.2.c. (DWAC)	The proposed rule change would add text to this section to clarify that DTC may require a FAST Agent to use the DWAC process for the separation of a Unit into its components.
Section II.B.3. (Transfer Turnaround Times)	The proposed rule change delete text in regard to monitoring by DTC of transfer turnaround times for Agents and preventing eligibility of an Agent that fails to comply. It is not practical for DTC to monitor transfer turnaround times since transfer turnaround times are established outside of DTC pursuant to Rule 17Ad-2 under the Act <sup>16</sup> and, pursuant to that rule, Agent reporting on compliance is required to be made to the SEC and the Agent's "appropriate regulatory agency," if applicable. <sup>17</sup>
Section II.B.4.b. (Transfer Agent Required Notices)	The proposed rule change would revise the text of this section (i) to state that Agents should notify DTC by the effective date of the Agent's assuming or terminating services as Agent for an Issuer, or the Agent's change of name or address, by the effective date of the change, rather than at least 10 calendar days in advance, because receipt of such notice on the effective date is sufficient for DTC to timely update its records to reflect the applicable change and (ii) to update references to the form Agents use to notify DTC of such changes, including updating the applicable link to the form and inserting the DTC e-mail address that a completed form should be delivered to. Subsections within Section II.B.4.b. numbered and titled, respectively, "(1) Termination of Transfer Agent Services," "(2) Assumption of Transfer Agent Services" and "(3) Transfer Agent's Change of Name or Address," would become separate sections and would renumbered to an alphabetical format sequentially numbered with the other Sections of II.B.4.b. The section that would be renumbered Section II.B.4.c., ("Termination of Transfer Agent Services"), as

<sup>16</sup> 17 CFR 240.17Ad-2.

<sup>17</sup> See 17 CFR 240.17Ad-2.

	mentioned above, would be revised for readability and clarity.
Section II.B.4.c. (Business Contingency)	The proposed rule change would delete this subsection which relates to connectivity testing by transfer agents and paying agents that are Participants, because this subsection is duplicative of the Rules and unnecessary for inclusion in the OA. <sup>18</sup>
Section II.B.5. (Trustee Required Notices)	The proposed rule change would clarify and update text from original Section VI.B.4 (Trustee Requirements) and reposition the text to new Section II.B.5. (Trustee Required Notices).
Section III.A. (Record Date Requirements)	The proposed rule change would (i) revise the text of this section to clarify text relating to the option for Securities to pay distributions in one or more currencies and (ii) delete outmoded language regarding establishment of record dates by securities exchanges, since the establishment of the record date by the Issuer is not dependent on the date of an ex-date established by a securities exchange.
Section III.B. (Notices)	The proposed rule change would clarify this section to state that where an Issuer or Agent provides information or notice to DTC for distribution to Participants, the notice should include the terms of the event in addition to other relevant information as stated therein, including CUSIP numbers, payment information and any relevant instructions. The proposed rule change would also change a cross reference from Exhibit E to Exhibit C to reflect the deletion of certain exhibits, as described herein.
Section III.C. (Payment Instructions)	The proposed rule change would modify the text of this section to clarify that the prohibition against Agents deducting fees from distribution payments to DTC includes a prohibition against invoicing DTC for such fees.
Section III.C.1. (Income Payment Standards)	The proposed rule change would delete a paragraph from this section in regard to instructing Issuers to fund their Agents by 1 p.m. on a payable date since DTC has no visibility on the transfer of funds between Issuers and Agents and is therefore unable to enforce such a

<sup>18</sup> See Rule 2, supra note 6 at 22.



	requirement.
Section III.C.2. (Redemption and Maturity Payment Standards)	The proposed rule change would (i) delete a paragraph from this section in regard to instructing Issuers to fund their Agents for redemption and maturity payments by 1 p.m. on a payable date since DTC has no visibility on the transfer of funds between Issuers and Agents and is therefore unable to enforce such a requirement, (ii) update a link referring to information about DTC principal and income processing, and (iii) delete a reference to a defunct email address for informational inquiries and replace it with contact information for DTC's client support team.
Section III.C.3. (Reorganization Payment Standards)	The proposed rule change would add e-mail addresses for DTC's reorganization department and a phone number to the DTCC customer service hotline to promote accessibility to DTC staff for questions regarding wire instructions and payment arrangements. The text of this section would also be revised to change "pm" to "p.m." in connection with timeframe references appearing in two places.
Section III.D. (Additional Payment Arrangements/Policies/Procedures)	The proposed rule change would revise the text of this section (i) to clarify language for improved readability and scope and (ii) update references to DTC contact information.
Section III.D.1. (Redemption Payments with Presentation ("PWP"))	The proposed rule change would revise this section to correct capitalization of a defined term.
Section III.D.2. (Compensation Claims Policy and Related Procedures)	The proposed rule change would add text for clarity and simplification to state DTC's policy with respect to DTC's ability to claim Paying Agents and Issuers that fail to pay DTC for a payment event on the scheduled payment date, rather than referring to a separate procedure in this regard. In addition, text regarding Agents ability to submit a claim to DTC for erroneous payments made to DTC would be deleted from this section as it is duplicative of information provided in Section III.D.3. of the OA -- "Requests for Return of Funds." <sup>19</sup> In addition, Section III.D.2. would be renamed from "Compensation Claims Policy and Related

<sup>19</sup> See OA, supra note 5.

	Procedures” to “Compensation Claims Policy.”
Section III.D.3. (Requests for Return of Funds)	<p>The proposed rule change would delete references to the “Return of Funds Procedure” and contact information to obtain a copy of such procedure. The procedure is no longer separately provided because it was duplicative of this Section III.D.3.</p> <p>The proposed rule change would clarify the text of this section in subsection a. with respect to DTC’s practice for the return of funds to Agents with regard to payments for which the Issuer has not paid the Agent and where the Agent has made erroneous payments to DTC. In addition, subsection a., currently titled “Issuer Default/Bankruptcy Considerations” would be changed to “Issuer Default/Bankruptcy Considerations/Agent Not Funded by Issuer” in order to clarify the scope of the subsection.</p> <p>The proposed rule change would revise subsection b. (Processing Errors) to add contact information for an Agent or Issuer to notify DTC in the event an Agent or Issuer makes an erroneous payment to DTC, and clarify DTC’s existing practice of returning funds only to the bank account from which the erroneous payment was received. The purpose of this provision would be to ensure that funds are sent back only to the party that sent them to DTC and reduce the possibility of error or fraud in the transmission of the return of funds. The proposed rule change would also revise the text of this subsection for a grammatical change and readability.</p>
Section IV.A. (Dividend and Income Notification Procedures)	<p>The proposed rule change would (i) revise the title and text of this section, which relates to payment notice information required from Agents, to (a) add the word “Payment” to the title so that the section would be named “Dividend and Income Payment Notification Procedures,” (b) remove a requirement that information provided to DTC under this section must include any income related to a corporate action, because DTC is able to determine this information from dividend and interest rate</p>

	<p>information that is required to be provided by an Issuer or Agent pursuant to this section and (c) clarify that payment notices for exchange traded funds (“ETFs”) are generally not required, unless specifically requested by DTC, because this information is sourced from securities exchanges on which the applicable ETF is listed, (ii) remove the requirement for parties that send an e-mail to DTC’s Announcements Department to telephone DTC if an e-mail receipt is not received by them from DTC within an hour to confirm such notice was received and (iii) change the physical delivery address used for transmission of notices to DTC in the event electronic transmission is not available.</p>
Section IV.A.1. (Structured Securities)	<p>The proposed rule change would clarify that “record date” and “payable date” are required information that must be provided to DTC in connection with minimal notification of structured security rate information. In addition, the proposed rule change would remove the text “preferably two business days” from the description of the required timeframe to for minimum notification.</p>
Section IV.A.1.a. (Non-Conforming Structured Securities)	<p>The proposed rule change would revise the text of this section to provide a link to a copy of the Non-Conforming Structured Securities Attestation Letter.</p>
Section IV.A.1.c. (Remittance Reporting to DTC for Structured Securities)	<p>The proposed rule change would delete this section as it is outdated and no longer applicable.</p>
Section IV.A.2. (American/Global Depositary Receipts (“ADR/ GDR”))	<p>The proposed rule change would revise this section to update an email address provided to contact the DTC Announcements Department. The text of this section would also be revised to clarify that a notice of payment information for an American or Global Depositary Receipt must include the record date in addition to other information as provided in the text of this section. The text of this section would also be revised to remove a reference to a preferred timeframe for submission of a notice of payment information. The text would also be revised to move the placement of “payable date,” which appears in a list of notice requirements, from below to above “payment amount per share.”</p>

Section IV.A.3. (Unit Investment Trust (“UIT”) Securities)	This section describes notice requirements for record date and other information that must be provided to DTC for distributions and payments on UITs. The proposed rule change would delete this section because it is no longer accurate. Securities Exchanges rather than Agents provide the information required by this Section to DTC.
Section IV.B. (Currency Payment Provisions)	The proposed rule change would update headings of subsections within this section to clarify their scope in relation Securities in Non-U.S. denominated currencies.
Section IV.C.1. (Dividend or Interest Rate Change)	The proposed rule change would revise this section to provide updated delivery information for notices by Issuers and Agents to DTC with respect to changes in dividend or interest rates, and replace a reference to “Publication Date” with “payment date” to reflect currently used terminology.
Section IV.C.2. (Reduction of Payment on Treasury or Repurchased Securities (for Cash Dividend or Interest Payment))	<p>This section describes the process by which an Agent may inform DTC that payment to a Participant of cash dividend and interest payments for a particular distribution on Securities the Participant is holding should be adjusted. The proposed rule change would revise this section to reflect an existing requirement for the Agent to provide a confirmation letter signed by the Participant that holds the subject shares whereby the Participant authorizes the adjustment in payment and includes an indemnification statement indemnifying DTC with respect to processing the adjustment.<sup>20</sup></p> <p>The proposed rule change would also amend the text to update (i) this section with respect to information the Agent must provide to DTC</p>

<sup>20</sup> The confirmation letter acts as the Participant’s instruction to DTC pursuant to Rule 6 (Services) in this regard. See Rule 6, supra note 6. Pursuant to Rule 6 the Participant providing an instruction to DTC indemnifies DTC against any loss, liability or expense as a result of (a) any act done in reliance upon the authenticity of the instruction, (b) the inaccuracy of the information contained therein or (c) effecting transactions in reliance upon such information or instruction, so long as the transaction is effected in accordance with such information and instructions. Id.

	<p>with regard to the adjustment which DTC needs to process the adjustment promptly and accurately and (ii) contact information for the delivery of such information by the Agent to DTC.</p> <p>In addition, the proposed rule change would remove a provision from this section that states that instructions submitted to DTC in accordance with this section that are submitted outside of required timeframes will subject the responsible Participant to a disincentive fee. The disincentive fee is not necessary because it is in the best interest for the applicable responsible parties to submit these instructions timely to allow same-day distribution of applicable principal and income payments to Participants and beneficial owners, and the disincentive fee is not necessary for this purpose.</p>
Section IV.D. (Additional Dividend Policies)	The proposed rule change would update the title of this section to reflect that the requirements constitute procedures of DTC. Therefore, the section would be retitled “Additional Dividend Procedures.”
Section IV.D.1.a. (Voluntary Dividend Reinvestment and Securities with an Automatic Dividend Reinvestment (with an option to elect a cash dividend))	<p>The proposed rule change would revise this section to re-order an existing list of Agent requirements and add clarifying terms regarding (i) the timing of the Agent’s acceptance of dividend reinvestment-related instructions from DTC, (ii) the agreement of the Agent that shares reinvested through DTC’s Dividend Reinvestment Program (“DRP”) shall of the same Security as the issue paying the dividend, and (iii) a requirement, consistent with DTC’s eligibility requirements, that reinvestment shares must carry transfer or ownership restrictions.</p> <p>The proposed rule change would also make changes to the text (i) for enhanced readability on the purpose and function of the DRP and (ii) update email and mailing address information for the delivery of instructions and security certificates to DTC.</p>
Section IV.D.1.b. (Automatic Dividend Reinvestment)	The proposed rule change would delete text stating that DTC may not make an issue from an Agent eligible if the Agent has a record of not

	complying with the provisions of this section as this is not a criterion for determining eligibility of an issue for a reinvestment program. DTC reviews issues for eligibility for inclusion in a reinvestment program by applying the criteria set forth in the OA on an issue-by-issue basis.
Section IV.D.2. (Stock Distributions to Holders of Record)	The proposed rule change would revise the text of this section to (i) rename the subsection from “Stock Distributions to Holders of Record” to become “Stock/Pay-in-Kind (“PIK”) Distributions to Holders of Record” and (ii) reflect the required information flow of notices for stock distributions to record date holders. The proposed text would also include a statement on the processing of bond-related “Paid-in-kind distributions” and variations.
Section IV.D.2.a. (Fractional Entitlements in Cash or Additional Roundup Shares)	The proposed rule change would (i) revise the text of this section to reflect that DTC no longer supports distribution of fractional shares; per SEC filing No. SR-DTC-2015-007, <sup>21</sup> (ii) revise language stating the timing by which an Issuer or Agent must provide DTC with the information DTC needs to collect Participant instructions (regarding liquidation or issuance of shares to satisfy Participant cash-in-lieu (“CIL”)/roundup entitlements) <sup>22</sup> and (iii) update an address for the delivery of physical securities to DTC.
Section IV.D.2.b. (Restriction Distribution Shares Issued)	The proposed rule change would clarify text relating to a requirement to send a notice to DTC and the information on such notice.
Section IV.D.3. (Reduction of Payment on Treasury or Repurchased Securities (for Stock	The proposed rule change would revise this section to clarify Participant authorization requirements with regard to reductions of

<sup>21</sup> Securities Exchange Act Release No. 75487 (July 20, 2015), 80 FR 44178 (July 24, 2015) (SR-DTC-2015-007).

<sup>22</sup> The revised language would require such information be provided to DTC at least five business days prior to the processing of a stock distribution with a fractional entitlement, rather than “approximately one to two weeks,” as currently stated, because (a) the timeframe as currently stated may create uncertainty for responsible parties as to their obligations under this provision and (b) in DTC’s experience, five business days is sufficient time to allow for timely processing in this regard.

Dividend Payments))	<p>payment on treasury or repurchased shares for stock dividend payments, to add that the confirmation letter required pursuant to this section must contain an officer-level authorization for the applicable reduction.<sup>23</sup></p> <p>In addition, the proposed rule change would remove a provision from this section that states that instructions submitted to DTC outside of required timeframes will subject the responsible Participants to a disincentive fee. The disincentive fee is not necessary because it is in the best interest for the applicable responsible parties to submit these instructions timely to allow same-day distribution of stock to Participants and beneficial owners, and the disincentive fee is not necessary for this purpose.</p>
Section V.A. (Redemptions, Advance Refundings and Calls Inclusive of Sinking Funds and Mandatory Redemptions)	The proposed rule change would (i) delete a need to call DTC to confirm hardcopy/email notice receipt, (ii) clarify the need for the Agent to contact DTC the first time they use the spreadsheet submission process and (iii) conform the usage of the defined term “PWP” (i.e., Payment Without Presentation) with its initial definition in Section III.D.1.
Section V.A.2. Partial Redemptions for Auction Rate Securities (“ARS”) and Requests for ARS Lottery Results	The proposed rule change would revise this section to (i) delete references to discretionary processing fees, relating to the release of lottery results, that are not charged, (ii) update contact information with respect to information on ARS processing and (iii) make grammatical changes to text for improved readability.
Section V.B.1. (Standards for Put Notifications)	This section relates to instructions from Issuers and Agents and information for the processing of optional puts and mandatory tenders. <sup>24</sup> The

<sup>23</sup> Pursuant to Rule 6, DTC acts for a Participant, subject to the Rules, on duly authorized instructions from the Participant. See Rule 6, supra note 6.

<sup>24</sup> An optional put is a provision under which the holder of securities may elect to have the securities repaid at the stated put price after giving notice to the tender agent within the required notification period. Persons not giving notice retain the securities. A mandatory tender is a provision under which all holders of the securities are “cashed out” at the stated put price on the payable date. Holders may have the right to retain their securities.



	proposed rule change would revise this section and clarify text for purposes of completeness with regard to processing timeframes and information DTC requires to timely process optional puts and mandatory tenders. The proposed rule change would also revise the text to update DTC contact information.
Section V.B.2.b. (Collateralized Mortgage Obligations (“CMOs”) and Asset-Backed Securities (“ABSs”))	The proposed rule change would revise the text of this section to clarify the scope and indicate that mortgage backed securities, in addition to CMOs and ABSs are covered by this section. The text of this section would also be revised to update DTC contact information, website references and revise wording for improved readability.
Section V.B.2.c. (Put “Extendible” Issues) <sup>25</sup>	The proposed rule change would clarify the text of this section to reflect the process as it has been established in practice in conjunction with Agents on this type of put. The proposed rule change would also revise the text of this section for enhanced readability and to update DTC contact and mailing information.
Section V.B.2.d. (Put Bonds(Repayment Options))	The proposed rule change would revise the text to (i) clarify that late notification may result in late notification fees in accordance with the DTC Fee Schedule and (ii) update DTC contact and mailing information.
Section V.B.2.e. (Survivor Options) <sup>26</sup>	The proposed rule change would revise the text of this section to add the website location of the DTC Reorganizations Service Guide for further information on processing. The proposed rule change would also clarify that DTC does not monitor presentment of supporting documentation to an Agent for processing of survivor options.
Section VI.A. (Standards for Voluntary and Mandatory	The proposed rule change would update the text of this section to clarify the notice and timing

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<sup>25</sup> An extendible put is relates to a Security subject to a “put” provision that may be exchanged for a new security, in accordance with the terms and conditions of such put, with a new maturity date.

<sup>26</sup> Survivor options relate to certain securities, which by their terms, may contain early redemption provisions in certain eventualities, such as the death of a beneficial owner.



Reorganizations)	requirements for Issuers and Agents to allow DTC to timely process voluntary and mandatory corporate actions and update the title of the section to reflect that it pertains to notices. The proposed rule change would also add a cross reference to the DTC Fee Schedule for applicable fees.
Section VI.B.1. (Reduction of Payment on Treasury or Repurchased Securities)	The proposed rule change would shorten the amount of time in advance that Agents must provide to DTC (i) information as required by this section <sup>27</sup> and (ii) confirmation letters <sup>28</sup> to DTC, prior to the processing of adjustments to Participant accounts reflecting a reduced payment/distribution amount, in accordance with this section, from five business days to no later than three business days prior to the payment/distribution date of the entitlement. The change would more accurately reflect the amount of time required by DTC to receive the necessary information and confirmation letters in order to timely process such adjustments. The proposed rule change would revise the list of information DTC requires in connection with processing such adjustments in order to specify the information that DTC needs in order to promptly and accurately process an adjustment. <sup>29</sup> The proposed rule change would also revise DTC's contact information to reflect

<sup>27</sup> The list of information would also be revised, as discussed below.

<sup>28</sup> The confirmation letter acts as the Participant's instruction to DTC pursuant to Rule 6 (Services) in with respect to the processing of the adjustments processed pursuant to this section of the OA. See Rule 6, supra note 6.

<sup>29</sup> Pursuant to this section, information currently required includes (i) Security description and CUSIP number(s), (ii) total number of treasury or repurchased shares, and (iii) Participant(s) account name(s) and number(s) holding such share positions. For the reason discussed above, the proposed rule change would delete (ii) above and add to the list of required information (a) total number of shares/principal value and (b) number of shares/principal value per Participant. The proposed rule change would also modify (iii) above to add "/principal" without a space after "share."

	that the information should no longer be send to DTC via fax, but only via email. <sup>30</sup>
Section VI.B.2. (Mandatory Separation of a Unit After the Closing Date)	The proposed rule change would move the text of former Section VI.A.2.i. to this newly numbered section.
Section VI.C. (Processing for Specific Voluntary Reorganizations)	<p>The proposed rule change would change the numbering of former Section VI.A.2 to VI.C.<sup>31</sup> and rename it from “Processing for Specific Voluntary Reorganization Features” to “Processing for Specific Voluntary Reorganizations.” The proposed rule change would divide the content of the newly numbered section into 5 subsections reflecting, and separating for enhanced readability, the existing content of former Section VI.A.2.:</p> <ol style="list-style-type: none"> <li>1. Unit Investment Trust.</li> <li>2. Mortgage-Backed Securities with Monthly Early Redemption Features.</li> <li>3. Rights Offers (Use of DTC’s Automated Subscription Offer Program (“ASOP”))</li> <li>4. Standards for Convertible</li> </ol>

<sup>30</sup> The purpose of this change is to enhance efficiency and security of the processing of information in this regard by having it transmitted only to a secure DTC email account rather than by fax which requires additional physical processing to retrieve and maintain a record of the information. The proposed rule change would also eliminate the requirement for a sender to confirm DTC’s receipt of the information.

<sup>31</sup> On July 7, 2017, DTC submitted the ATOP Rule Filing to the Commission pursuant to subparagraph (f)(6) of Rule 19b-4 under the Act, 17 CFR 240.19b-4(f)(6), to amend former Section VI.A.2. in the subsection titled “Consents” thereunder, in order to require Agents to use DTC’s Automated Tender Offer Program to process consent solicitations for book-entry securities. See Securities Exchange Act Release No. 81096 (July 7, 2017), 82 FR 32406 (July 13, 2017) (SR-DTC-2017-011). By its terms, the ATOP Rule Filing would be implemented 30 days after the date of its filing date, or such shorter time as the Commission may designate (“ATOP Rule Filing Implementation Date”). See Id. Pursuant to the proposed rule change, as of the ATOP Rule Filing Implementation Date, the changes proposed under the ATOP Rule Filing would be incorporated into the corresponding subsection titled “Consents” under the renumbered Section VI.C. described herein.

	<p>Issues/Warrants/Rights; and</p> <p>5. Voluntary Tenders/Exchanges/Mergers with Elections (Use of DTC’s Automated Tender Offer Program (“ATOP”))</p> <p>Each of these subsections would be revised to clarify the text for enhanced readability and to provide enhanced detail on relevant notice and information requirements. The proposed rule change would also update DTC contact information and mailing addresses. Former subsection h (under form Section VI.A.2.) would be deleted and relevant text moved above in the new Section VI.C. to consolidate text regarding unit investment trusts within the section. The proposed rule change would also add text relating to processing of payment of cash for convertible securities setting forth existing requirements for processing such payments.</p>
Section VI.D. Chargeback of Reorganization Payments	The proposed rule change would renumber subsection VI.A.2.j. to become its own subsection VI.D.
Section VI.E. Proxy Related Procedures	The proposed rule change would renumber former subsection VI.B. to become subsection VI.E. The content of this subsection would be revised to update DTC contact information and addresses and provide enhanced detail on consent and legal notices to be submitted by Issuers, Agents, trustees or other third parties to DTC. Accurate delivery of such notices to DTC facilitates the ability of DTC to process proxy-related requests and to make applicable notice information available to the industry.
Section VII.A. (Partial Redemption Exclusions)	The proposed rule change would change the name of the “Call Notification Department” to “Redemption Notification Department” to reflect the updated name of the department.
Section VII.B. (VRDO Interest Payment Information)	The proposed rule change would (i) delete the text regarding use of vendor/ service bureaus that are obsolete and (ii) simplify notice requirements and related details and conform such requirements to existing practice.
Section VII.C. (Optional Tender Provisions)	The proposed rule change would update the link to information regarding DTC deliver orders and

	update DTC's contact information.
Section VII.D. (Mandatory Tender Provisions)	The proposed rule change would change the name of the "Announcements Department" to reflect the updated name of the department and update DTC's contact information.
Section VII.E. (Use of Credit Facilities)	The proposed rule change would update the text of this section to update DTC's mailing address.
Section VII.F. (Mandatory Tender Retention/Exclusion Provisions)	The proposed rule change would update the text of this section to add an email address for DTC's Reorganization Department to submit requests relating to DTC's mandatory exclusion procedures.
Section VIII. (Additional Operational Requirements for Cross-Currency and Other Warrants.)	The proposed rule change would delete Section VIII. as it is obsolete and the remaining provisions of the OA shall apply to the securities covered by this Section.
Exhibit B (Underwriting Standard Time Frames)	<p>This exhibit contains the timeframes, referred to in Section I.A.4. of the OA, for information and/or materials needed by DTC to process an underwriting transaction and notify Participants in a timely fashion.</p> <p>The proposed rule change would update Exhibit B to: (i) revise text to indicate that that materials and information for underwriting transactions are submitted to DTC via UW SOURCE, consistent with current practice as set forth in Section I.A.1., (ii) consolidate, for consistency, time frames for the submission of offering documentation and certain information submitted via UW SOURCE,<sup>32</sup> (iii) reduce the number of days in advance of a closing date for an underwriting transaction that a BLOR or ILOR, as applicable, of a U.S. Issuer must be submitted,<sup>33</sup> (iv) clarify that an Underwriter's</p>

<sup>32</sup> The number of days in advance of the closing date of an underwriting transaction that DTC must receive applicable offering documentation, as well as certain identifying information with respect to underwriters and securities relating to the transaction would be reduced to more accurately reflect the amount of lead time necessary for DTC to timely process an underwriting transaction.

<sup>33</sup> The related timeframe for non-U.S. Issuers to submit a BLOR or ILOR, as applicable, prior to a closing date of a transaction would not change due to the amount of time necessary to complete existing physical processing requirements for BLORS and ILORS of non-U.S. Issuers.

	failure to timely submit final offering documents would result in a surcharge in accordance with the Fee Schedule and (v) conform and clarify text within the exhibit for consistency and enhanced readability.
Exhibit C (BLOR)	The proposed rule change would remove this exhibit from the OA and move the document to the DTCC website. The link would be provided under Section I.B.1.b. of the OA.
Exhibit D (ILOR)	The proposed rule change would remove this exhibit from the OA and move the document to the DTCC website. The link would be provided under Section I.B.1.b. of the OA.
Exhibit E (Payments Time Frame chart)	The proposed rule change would remove Exhibit E which contains a chart outlining payment and notification timeframes. The timeframes in the chart are outdated and redundant of information provided in the body of the OA.
Exhibit F (Non-Conforming Structured Securities Attestation letter)	The proposed rule change would remove this exhibit from the OA and move the document to the DTCC website. The link to this document would be provided under Section IV.A.1.a. of the OA. <sup>34</sup>
Throughout OA	The proposed rule change would revise phone numbers, e-mail addresses, website locations of documents, mailing addresses throughout the OA generally to the extent not mentioned above. The proposed rule change would also generally revise text to, update and clarify processing timeframes, improve readability, correct grammar and update cross-references to the extent not already mentioned above. The proposed rule change would conform usage of the defined term “Closing Date,” as defined in Section I.A.5., throughout the OA.

#### Effective Date of Proposed Rule Change

The proposed rule change would be effective immediately.

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<sup>34</sup>

See Section IV.A.1.a. of the OA, supra note 5.

## 2. Statutory Basis

Section 17A(b)(3)(F) of the Act<sup>35</sup> requires that the rules of the clearing agency be designed, inter alia, to promote the prompt and accurate clearance and settlement of securities transactions. DTC believes that the proposed rule change is consistent with this provision because it would update the OA to clarify text, provide additional detail on existing processes, update DTC's contact information and therefore provide Participants, Issuers and Agents with transparency with respect to DTC's eligibility and asset servicing processes. By providing such transparency, the proposed rule change would allow each of these parties greater transparency on processing of transactions in their Securities and, therefore, would promote the prompt and accurate clearance and settlement of securities transactions.

The proposed rule changes are also designed to be consistent with Rule 17Ad-22(e)(23) of the Act,<sup>36</sup> which was recently adopted by the Commission.<sup>37</sup> Rule 17Ad-22(e)(23) requires DTC, inter alia, to establish, implement, maintain and enforce written policies and procedures reasonably designed to (i) publicly disclose all relevant rules and material procedures, including key aspects of its default rules and procedures, and (ii) provide sufficient information to enable participants to identify and evaluate the risks, fees, and other material costs they incur by participating in the covered clearing agency.

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<sup>35</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>36</sup> 17 CFR 240.17Ad-22(e)(23).

<sup>37</sup> The Commission adopted amendments to Rule 17ad-22, including the addition of new subsection 17ad-22(e), on September 28, 2016. See Securities Exchange Act Release No. 78961 (September 28, 2016), 81 FR 70786 (October 13, 2016) (S7-03-14). DTC is a "covered clearing agency" as defined by new Rule 17ad-22(a)(5) and must comply with subsection (e) of Rule 17Ad-22. Id.

The proposed rule changes, as described above, would update DTC's OA with respect to rules, material procedures and certain fee provisions relating to DTC's securities eligibility and asset servicing processes. As such, DTC believes that the proposed changes would promote disclosure of relevant rules and material procedures and provide sufficient information to enable participants and other users of DTC's services to evaluate fees and other material costs of utilizing DTC's services, in accordance with the requirements of Rule 17Ad-22(e)(23), promulgated under the Act, cited above.

(B) Clearing Agency's Statement on Burden on Competition

DTC does not believe that the proposed rule change would have any impact on competition because the proposed changes merely relate to updates and clarifications of the OA which would not significantly affect the rights and obligations of users of DTC's services, and would not disproportionately impact any users.

(C) Clearing Agency's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

DTC has not solicited and does not intend to solicit comments regarding the proposed rule change. DTC has not received any unsolicited written comments from interested parties. To the extent DTC receives written comments on the proposed rule change, DTC will forward such comments to the Commission.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)<sup>38</sup> of the Act and paragraph (f) of Rule 19b-4<sup>39</sup> thereunder. At any time within 60 days of

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<sup>38</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>39</sup> 17 CFR 240.19b-4(f).

the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

##### Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-DTC-2017-010 on the subject line.

##### Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-DTC-2017-010. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule



change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of DTC and on DTCC's website (<http://dtcc.com/legal/sec-rule-filings.aspx>). All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-DTC-2017-010 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>40</sup>

Eduardo A. Aleman  
Assistant Secretary

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<sup>40</sup> 17 CFR 200.30-3(a)(12).

